

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 ARAE-00 CIAE-00 COME-00 EB-07 INR-05

LAB-01 NSAE-00 RSC-01 SIL-01 AGR-05 DODE-00 PM-03

H-01 L-02 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

OMB-01 TRSE-00 CIEP-01 INT-05 GSA-01 SWF-01 OPIC-03

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P 212300Z NOV 74

FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC PRIORITY 6317

LIMITED OFFICIAL USE SECTION 1 OF 2 KINGSTON 4197/1

EO 11652: N/A

TAGS: PINT, EMIN, EINV, JM

SUBJECT: PM STATEMENT ON MIXED ECONOMY

REF: KINGSTON 4147

1. SUMMARY: PRIME MINISTER MANLEY IN AN ADDRESS TO PARLIAMENT NOVEMBER 20 CASTIGATED THE CAPITALIST SYSTEM EXPLOITIVE, DECLARED HIS GOVERNMENT TO BE DEMOCRATIC SOCIALIST, AND SPELLED OUT THE RESPECTIVE ROLES TO BE PLAYED BY THE STATE AND PRIVATE BUSINESS IN THE DEVELOPMENT OF A MIXED ECONOMY IN JAMAICA. HE REAFFIRMED THE PRINCIPLE OF FAIR COMPENSATION FOR PRIVATE ASSETS ACQUIRED BY GOVERNMENT AND REJECTED ANY FORM OF EXPROPRIATION. HE ANNOUNCED THE SIGNING OF A BAUXITE AGREEMENT WITH KAISER (SEPTTEL) AND LAUDED IT AS AN ILLUSTRATION OF THE PRINCIPLES OF A MIXED ECONOMY THE GOJ WILL PURSUE

2. DECLARING HIS GOVERNMENT COMMITTED TO A MIXED ECONOMY UNDER A SOCIALIST SYSTEM, PM MANLEY YESTERDAY IDENTIFIED

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THE FOLLOWING AREAS WHICH REQUIRE PUBLIC SECTOR INVOLVE-

MENT IN THE ECONOMY:

A. HUMAN RESOURCE DEVELOPMENT AND BASIC SOCIAL SERVICES (E.G. HEALTH, EDUCATION AND HOUSING): GOVERNMENT INVOLVEMENT IS NOT INTENDED TO EXCLUDE PRIVATE OR VOLUNTARY EFFORT WHEREVER THESE PLAY A COMPLEMENTARY ROLE TO GOVERNMENT INITIATIVES. OBJECTIVE IS TO ENSURE MAINTENANCE CERTAIN MINIMUM STANDARDS IN THESE SERVICES;

B. BASIC NUTRITION: DUTY OF GOVERNMENT TO ENSURE THAT BASIC FOOD ITEMS ARE AVAILABLE AT THE LOWEST POSSIBLE COST SINCE GOOD NUTRITION IS FUNDAMENTAL TO THE DEVELOPMENT OF HUMAN RESOURCES. FOR THESE REASONS, GOVERNMENT HAS ESTABLISHED THE JAMAICA NUTRITIONAL HOLDINGS AND EXPANDED THE SCHOOL-FEEDING PROGRAM.

C. INFRA- STRUCTURE AND PUBLIC UTILITIES (E.G. PUBLIC UTILITIES, ROADS AND OTHER INFRASTRUCTURE, ENVIRONMENTAL DEVELOPMENT AND PROTECTION ACTIVITIES, MAJOR MASS TRANSPORTATION SYSTEMS, TELECOMMUNICATIONS, WATER RESOURCES): AS CRITICAL FOR NATIONAL DEVELOPMENT, THEY MUST BE PLANNED ON THE BASIS OF HUMAN AND ECONOMIC NEEDS, RATHER THAN PROFIT. IT IS THE RESPONSIBILITY OF GOVERNMENT TO PROVIDE EFFICIENT SERVICES IN ALL THESE AREAS.

\$. MINERAL RESOURCES: THESE INCLUDE BAUXITE AND GYPSUM. FOR EXAMPLE, GOVERNMENT HAS NEGOTIATED A SUBSTANTIAL INCREASE IN THE TAXES PAID BY THE BAUXITE INDUSTRY AND IS CURRENTLY NEGOTIATING THE RECOVERY OF BAUXITE LANDS AND PARTICIPATION IN THE OWNERSHIP OF THE INDUSTRY.

E. FINANCIAL INSTITUTIONS: MUST COME UNDER EFFECTIVE NATIONAL SUPERVISION IN ORDER TO ENSURE THAT THEY OPERATE IN THE BEST INTERESTS OF THE COUNTRY. STEPS HAVE ALREADY BEEN TAKEN TO MONITOR AND CONTROL INSURANCE COMPANIES TO ENSURE ADEQUATE PROTECTION LIMITED OFFICIAL USE

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FOR THE PEOPLE WHO INSURE WITH THEM. ALSO GOAL OF GOVERNMENT TO ENSURE THAT THERE IS MAXIMUM LOCAL OWNERSHIP IN ALL FINANCIAL INSTITUTIONS. IF NECESSARY, IT WILL PARTICIPATE DIRECTLY, IN ORDER TO ACHIEVE THIS GOAL.

F. SALVAGE OPERATIONS: GOVERNMENT RESERVES THE RIGHT TO ACQUIRE OWNERSHIP OF ANY INDUSTRY WHICH PRODUCES

AN IMPORTANT COMMODITY OR PROVIDES EMPLOYMENT FOR
A CONSIDERABLE WORK FORCE, BUT WHICH PRIVATE ENTERPRISE
IS NOT PREPARED TO CONTINUE TO OPERATE
BECAUSE OF ITS INDEBTEDNESS, OR SEEMING LACK OF
POTENTIAL.

G. TRAIL-BLAZING: THERE ARE CERTAIN AREAS OF TRADE
AND INDUSTRY WHICH THE PRIVATE SECTOR IS HESITANT
OR UNWILLING TO DEVELOP. THESE INDUSTRIES ARE
OFTEN IMPORTANT BECAUSE THEY PROVIDE SIGNIFICANT
LINKAGES IN THE ECONOMY AND COULD BE A SOURCE OF
EMPLOYMENT FOR A CONSIDERABLE WORK FORCE. GOVERNMENT
THEREFORE WILL SPEAR-HEAD THE RESEARCH AND
DEVELOPMENT OF THESE INDUSTRIES, THROUGH THE
PROVISION OF INVESTMENT WHERE NECESSARY.

3. HAVING SKETCHED THE PUBLIC SECTOR INVOLVEMENT IN
THE ECONOMY, THE PM SAID THERE WAS A WIDE-RANGING AREA
OF GOODS AND SERVICES REQUIRED BY THE NATION WHICH GOVERNMENT
WAS COUNTING ON THE PRIVATE SECTOR TO
PRODUCE. HE DEFINED THE ROLE OF THE PRIVATE SECTOR AS
FOLLOWS: GERARD

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A. INVESTMENT IN AREAS WHERE SPECIAL ENTREPRENEURIAL SKILLS AND EXPERTISE ARE NECESSARY TO BUILD AND OPERATE BUSINESSES THAT PROVIDE GOODS AND SERVICES WHICH THE SOCIETY NEEDS AT REASONABLE PRICES;

B. MAKING PROFITS COMMENSURATE WITH THE SKILLS AND MONEY INVESTED AND THE RISKS TAKEN;

C. RECEIVING REASONABLE REWARDS FOR INDIVIDUAL INITIATIVE AND HARD WORK; AND

D. OPERATING FREELY WITHIN THE LAWS AND REGULATIONS THAT GOVERN PRIVATE ENTERPRISE, WITH DUE REGARD FOR THE COMMUNITY AT LARGE AND FOR THE WORKERS WHO ARE PART OF THE ENTERPRISE.

4. THE PM SAID FOREIGN PRIVATE CAPITAL IS WELCOME IN JAMAICA AND IS ASSURED OF FAIR AND CONSISTENT TREATMENT PROVIDED:

A. THE INVESTMENT IS CONSISTENT WITH NATIONAL PURPOSES; LIMITED OFFICIAL USE

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B. IT OPERATES IN JAMAICA ON A BASIS OF GOOD CORPORATE CITIZENSHIP: AND

C. SO FAR AS OWNERSHIP IS CONCERNED, IT IS WILLING TO ENTER INTO PARTNERSHIP WITH LOCAL PRIVATE INTERESTS, THE GOVERNMENT OR BOTH, AS MAY BE REQUIRED BY THE GOJ.

5. MANLEY CONCLUDED SPEECH WITH ANNOUNCEMENT OF SIGNING OF BAUXITE AGREEMENT WITH KAISER (SEPTTEL), WHICH HE TERMED "OF HISTORIC, PERHAPS EPOCHAL IMPORTANCE." HE POINTED TO THE AGREEMENT AS THE EMBODIMENT OF ALL THE PRINCIPLES HE HAD JUST ENUNCIATED. "IT ILLUSTRATES OUR SOCIALIST PRINCIPLE OF NATIONAL OWNERSHIP: THE PRINCIPLE OF PARTNERSHIP BETWEEN GOVERNMENT AND PRIVATE CAPITAL; AND THE PRINCIPLE OF HOW THIS GOVERNMENT REGARDS FOREIGN CAPITAL." PM PAID TRIBUTE TO KAISER CORP AND J. EDGAR KAISER IN PARTICULAR. "THIS MAN HAS HAD THE GAITH IN OUR COUNTRY NOT TO HEDGE HIS BETS AND LOOK FOR OTHER SOURCES OF BAUXITE, BUT HAS RESTATED HIS BELIEF IN JAMAICA BY ENTERING INTO THIS PARTNERSHIP."

6. COMMENT: INITIAL REACTION PRESS AND BUSINESS COMMUNITY TO SPEECH IS GENERALLY FAVORABLE AND WELCOMES PM'S CLARIFICATION ON RELATIVE ROLES TO BE PLAYED IN

ECONOMY BY PUBLIC AND PRIVATE SECTORS. PM'S RHETORIC
IN REJECTING CAPITALISM AND LAUDING SOCIALISM DETRACTED
FROM POSITIVE IMPACT OF SUBSTANTIVE PORTION OF SPEECH,
HOWEVER, AND TENDED TO SUSTAIN THE APPREHENSION AND
DISTRUST OF GOVERNMENT CRITICS WHO INCLINED TO BELIEVE
THAT PNP SOCIALISM MORE RADICAL THAN FABIAN. DEMANDS
FOR GREATER GOVERNMENT SPECIFICITY IN SPELLING OUT
ITS PLANNED ROLE IN THE ECONOMY APPEAR INEVITABLE. GERARD

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